

## **The Distribution of Gas Tax to the State, Cities, and Counties**

### **PRELIMINARY DRAFT FOR DISCUSSION ONLY**

*This preliminary draft discussion paper is a work product developed by the consulting team for review and discussion by the Blue Ribbon Commission on Transportation. The contents are intended to provide the Commission members with factual background information and a balanced set of policy alternatives, including the pros and cons of these alternatives. This paper is one of a series and should be reviewed in the context of the entire series that, when taken together, presents a comprehensive overview of the state's transportation system.*

*This discussion paper series has been prepared primarily for Blue Ribbon Commission members new to these issues who wish to engage in a fundamental debate and for a more general audience of interested citizens who may wish to comment on the Commission's deliberations. This paper is intended to be provocative and to stimulate discussion of issues and options in funding transportation in this state. It questions the current ways of doing business, not for the sake of finding fault, but to allow consideration of other potential ways of thinking about basic funding issues that might be appropriate in the future.*

## **INTRODUCTION**

During the first months of 1999, the Revenue Committee of the Blue Ribbon Commission on Transportation received briefings on Washington's system of funding transportation. Committee members learned about the many parts of a system that has evolved over time. This is one in a series of issue papers intended to pull together the pieces of information and begin to synthesize the issues, findings and policy options that will set the stage for the Committee discussion and formulation of recommendations.

This discussion paper focuses on how the gas tax is distributed to the state, cities and counties. It does not address other, non-gas tax transportation funding sources that the various levels of government use. An introductory overview to transportation funding is provided in the issue paper, *Overview of Transportation Funding in Washington*. Local government revenues are discussed in another paper in this series, *Local Sources in Funding City and County Transportation Needs*.

## ISSUE STATEMENTS AND BACKGROUND

From the point of view of many policymakers and transportation professionals, the current funding system effectively meets the intent for which it was designed but suffers from inadequate revenues. From the point of view of the layperson, however, there is skepticism about whether there are real needs and little confidence in government's ability to be trusted with even the existing money. Focus groups conducted in January 1999 for the Blue Ribbon Commission found that "a substantial body of people think enough money exists already and that if it were only spent more wisely all transportation problems would be solved."<sup>1</sup>

The Blue Ribbon Commission on Transportation has as one of its goals to establish and communicate clearly the connections between transportation needs and a funding system that is straightforward and understandable, so that the public can see for itself if more money is really needed. From the point of view of a citizen driving on the state's road network, all roadways interconnect and jurisdictional boundaries are invisible. The maintenance, operation and improvement of the roadways is viewed as a single public responsibility that is system-based. Yet attempting to understand the funding system underlying that public responsibility raises a number of questions that are outlined in this paper.

The gas tax in particular is a very important revenue source for a number of reasons:

- It is, along with the motor vehicle excise tax (MVET), the largest revenue generator, producing about \$32 million annually for each cent of tax, or \$738 million in 1997;
- It is dedicated to transportation and therefore does not have to compete with other general government programs;
- It is not capped by the Washington State Constitution or by provisions such as I-601, so enjoys a measure of potential for generating revenues that some other revenue sources do not; and
- It is viewed by many as a user fee since it is directly linked to usage of the roadways.

For these reasons, it is useful to consider some of the issues surrounding this tax.

### 1) Why do the gas tax distributions appear fragmented and complicated?

Attempting to follow the statutory state gas tax distribution to state highways, state ferries, cities, counties, and special purpose programs is confusing for the uninitiated. Until very recently, the tax was administered in three separate statutes that designated the first 17 cents (the gas tax rate up to 1984), then an additional 1 cent distribution, and finally the distribution of the 5 cents implemented in 1990 and 1991. HB 1053, passed in the 1999 legislative session, authorized a new streamlined allocation by percentage and consolidated several smaller programs.

The state gas tax in Washington was first levied in 1921 at 1 cent. The 1999 rate is 23 cents. The distribution following HB 1053 simplification is:

---

<sup>1</sup> Opinion Dynamics Corporation: *Attitudes Toward Transportation Issues in Washington State*, March 1999, p. 3.

### HB 1053 Gas Tax Allocations

State Highway Purposes	44.3870%
Special Category C Account	3.2609%
Ferry Operations Account	2.3283%
Ferry Capital Construction Account	2.3726%
Urban Arterial Trust Account	7.5597%
Transportation Improvement Account	5.6739%
Cities	10.6961%
Counties (Regular Distribution)	19.2287%
Counties (Arterial Preservation Account)	1.9565%
Rural Arterial Trust Account	2.5363%

The funds allocated to state highway purposes are deposited into the Motor Vehicle Fund and are distributed to projects in a multi-stage process that includes: geographic region allocation; staff prioritization of projects based on technical criteria and regional office and community input; development of recommendations by the Washington State Transportation Commission; and authorization by the Legislature in the transportation budget process. Special Category C and ferry operation and capital funds are subject to similar staff, Commission and legislative authorization processes.

The TIB-administered programs, Urban Arterial Trust Account (UATA) and Transportation Improvement Account (TIA), are grant programs that the state, cities and counties are eligible to compete for. Each program has specific criteria. Jurisdictions submit grant applications once a year and an appointed board oversees project selection.

The direct distribution to cities is based in statute on a per capita distribution formula. Statutes require cities to spend a portion of their direct gas tax allocation on new construction (as opposed to operation or maintenance).

The regular distribution to counties is codified as 30% based on population, 30% based on needs, 30% based on cost and 10% distributed equally.

Of the CRAB-administered programs, the County Arterial Preservation Program (CAPP) is a formula-based program and the Rural Arterial Preservation (RAP) is a grant program that counties are eligible to compete for. Each program has specific criteria for project selection and an appointed board oversees funding processes.

There are no specific provisions in the gas tax statutes that require maintenance of the current roadway system as a priority, whether by the state, counties or cities. The state, by Commission policy, has determined to fully fund maintenance and preservation of state highways before funding improvements. Maintenance of local streets and roads has been considered a local responsibility and each jurisdiction determines its own spending priorities based on local community, technical and legislative processes.

## 2) Why does it appear that the gas tax levels allocated to the state, to cities and to counties do not reflect actual roadway responsibilities?

The gas tax is the primary *dedicated* revenue source for roads, yet it represents 17% of city transportation revenues, 33% of county transportation revenues and 50% of state transportation revenues. It is difficult to discern an underlying system for the current allocation of the gas tax to the various levels of government. The following table summarizes the direct allocation of gas tax revenues to the state, to counties and to cities and compares their relative populations and roadway responsibilities.

The chart provides a snapshot of only partial information (for example, it does not indicate any of the other funding sources available to the state, counties and cities to address their roadway responsibilities). However, it illustrates the apparent lack of a direct relationship between the roadway responsibilities of the various levels of government, and their share of the gas tax, the primary revenue source dedicated to the roadway system. It also illustrates an apparent disproportionality between roadway responsibilities and the proportion of revenue the levels of government must raise from non-gas tax sources to fund their transportation budgets.

<b>State, County and City Roadway Responsibilities and Gas Tax Allocations</b>			
	<b>State</b>	<b>Counties</b>	<b>Cities</b>
Population	5.6 million 100%	2.33 million 42%	3.27 million 58%
Centerline miles (paved)	7,029 16%	23,736 53%	14,108 31%
Centerline miles (unpaved)	8 0%	15,400 95%	760 5%
Lane miles (paved)	? ?	25,843 ?	28,216 ?
Vehicle Miles Traveled	75.5 million 57%	24.2 million 18%	33.6 million 25%
Direct gas tax allocation	44.4%	19.2%	10.7%
Gas tax as a % of transportation revenues	50%	33%	17%
<b>Sources:</b> WSDOT <i>Key Facts</i> ; Association of Washington Cities; Washington State Association of Counties			

Other apparent disproportions exist as well. The direct distribution of gas tax to cities is set with a defined portion required to be spent on construction, while no similar statutory allocation is set

aside for maintenance (arguably the more fundamental function and one many jurisdictions consider the highest priority). Also, no comparable statutory requirement is specified for counties.

It can be argued that the gas tax should not be considered in isolation from all other revenue sources in this fashion, since each level of government has other sources it draws upon to put together budgets. However, the point being made is that few other available sources are dedicated to transportation. The gas tax is the only revenue source that is constitutionally dedicated to Washington's roadway system and that can be used to generate revenues at levels needed by the system. Property taxes and sales taxes are the other major revenue sources used by local government for transportation. The property tax is constitutionally capped and at its limit in many jurisdictions. The sales tax is a general purpose source and must compete in budget processes with general fund and other non-roadway purposes. The distribution of the gas tax may deserve a fresh look and consideration of such measures as roadway responsibility or other system-based approaches for its distribution.

### **3. How are fund dedications determined and how are funding levels for gas-tax funded programs set?**

There are four major (and a number of other smaller) special purpose programs funded by the gas tax and administered by the Transportation Improvement Board (TIB) and the County Road Administration Board (CRAB). Together the following programs are allocated almost 18% of state gas tax funds:

Urban Arterial Trust Account (UATA)	7.5597%
Transportation Improvement Account (TIA)	5.6739%
County Arterial Preservation Program (CAPP)	1.9565%
Rural Arterial Program (RAP)	2.5363%

These programs significantly supplement the gas tax monies distributed to cities and counties. Their purpose is to create systematic criteria and a unified process for selecting among competing projects that are submitted by individual jurisdictions. The UATA and TIA programs are administered by TIB and are primarily for projects in urban or growing areas; the CAPP and RAP programs are administered by CRAB and are exclusively for county roads, many of which are in rural areas.

Because the programs and their fund allocations were created at a given time to meet specific needs, there is no overarching approach to the structure of these programs. For example, there is money dedicated to county arterial preservation, but none specifically for city arterial preservation. For improvement project needs, there are grant criteria for mobility, safety and economic development, but none specifically for growth-related impacts.

The allocation of funding amounts to the programs is generally not based on measures of roadway conditions, capacity or utilization, but rather upon available funds and legislative priorities at given historical points. Even if total needs at the time of fund authorization are

known, it is assumed that because these are supplementary programs that augment city and county direct distributions, they need not fully fund any given function. However, funding levels are such that a significant proportion of candidate projects fail to receive funding. Funding levels, once established, are relied upon to meet ongoing program requirements, and stakeholders are reluctant to change the programs and risk losing the funding that is available. In general, there are few good mechanisms to determine what local needs require what level of support, and once set, it is difficult to change or consolidate programs to meet new needs. The following discussion outlines in greater detail the programs administered by TIB and CRAB:

### **The County Road Administration Board (CRAB)**

CRAB maintains a centralized statewide database of all county roads and their condition. This represents a good baseline of data on real maintenance and preservation needs for county roads. The database allows for a systematic pavement management program that can identify the optimal life cycle and investment type for roads under various conditions of usage and other factors. CRAB also is able to provide technical expertise and information systems to all 39 counties, regardless of whether they are urban or rural, well funded or poor, rich in technological resources or not.

Related to this information and technical capability, CRAB manages two programs: CAPP is a formula-based maintenance and preservation program for county arterials; RAP is a competitive grant program for rural county roads.

#### **County Arterial Preservation Program (CAPP) -- county roads only**

- Funds preservation of paved urban and rural arterials
- Approx. 13,000 miles of county roads are eligible
- 0.45 cents of gas tax generates \$14 million annually
- Distribution is by formula (based on lane miles)

#### **Rural Arterial Program (RAP) -- county roads only**

- Funds reconstruction and upgrades of rural arterials and bridges
- 13,130 miles of county roads (30% of county roads system) eligible
- 0.58 cents of gas tax generates \$18 million annually
- Distribution is by formula to five regions (1/3 based on land area and 2/3 based on lane miles)
- Distribution is competitive within regions

Neither CAPP nor RAP provide funding to county roads experiencing the pressures of growth in urbanizing areas. These needs are left to the local governments and the competitive grant processes of the TIB.

**The Transportation Improvement Board (TIB)**

The TIB has managed ten programs in six funding accounts. HB 1053, the streamlining and consolidation bill that passed the 1999 legislative session, consolidated two of the small city accounts into the Urban Arterial Trust Account (UATA), leaving eight programs. While the state, transit agencies and ports are eligible to apply for some of the programs, the large majority of the TIB's program funding is for cities and counties, with particular emphasis on urban areas. The two largest programs are the Urban Arterial Trust Account and the Transportation Improvement Account (TIA). Both fund only improvement projects (not maintenance or preservation), with UATA primarily for addressing deficient roadways and TIA primarily for improving roadway capacity across modal and jurisdictional boundaries.

Urban Arterial Trust Account -- established in 1967; for cities with populations over 5,000 and urban counties

- Funds roadway improvement projects that improve mobility, improve safety or address geometric and structural deficiencies
- 1.47 cents of gas tax generates \$47 million per year (currently one-third goes to bond retirement)
- Distribution is by formula to five regions of the state
- Distribution is by competitive application process within regions

Transportation Improvement Account -- established in 1988; for cities with populations over 5,000 and urban counties, all modes

- Funds multimodal, multijurisdictional improvement projects that are regionally significant and promote economic development
- 1.31 cents of gas tax generates \$42 million per year
- Distribution is by formula to three regions of the state
- Distribution is by competitive application process within regions

Unlike the centralized database that exists for counties, and unlike the CAPP, there is no centralized pavement management tool for city streets and no uniformly administered preservation program for cities. About 70 cities use a pavement management system; however, for smaller cities, software and technical staff resources need for such a system are prohibitive. Smaller cities could benefit from even very simple pavement management systems but lack the staff and technical expertise to implement such programs. While UATA can fund urban arterial preservation, it is a competitive grant program that by its nature cannot ensure that urban arterials are being preserved systemwide in a cost effective and timely manner.

The TIA is able to address some of the roadway and other transportation improvement needs of cities and counties and to fill funding gaps left by local and other sources. The program is greatly appreciated by local governments as a resource and has been creatively managed to leverage bonding capacity and assist jurisdictions in coming up with local matching funds. With its multimodal and multijurisdictional criteria, it has helped create partnerships and dialogue among jurisdictions.

The program receives many more applications each year than it can fund and leaves the unmet need for growth- and economic development-related projects substantially underfunded. Especially very large projects cannot be addressed by existing funding levels.

#### **4) Are competitive grant programs an appropriate mechanism for all of the functions for which they are used?**

While competitive grant programs have the benefit of spreading around limited funds in an organized and presumably fair way, they are sometimes used to support transportation functions that perhaps ought to be fully funded as basic infrastructure needs. Also, grant programs have administrative costs that applicant localities and administering agencies must bear. As the largest source of dedicated transportation revenue, the gas tax might be most effectively used to fund the most basic needs first, with more discretionary funding streams used for competitive programs designed to fund the highest ranking projects.

For example, a policy question for consideration is whether arterial preservation should be fully funded out of dedicated revenues. Pavement management technology today allows officials to identify when it is most cost effective to repave a road. Enabling all levels of government to manage preservation programs in accordance with current technology might be deemed appropriate. (As a parallel in another area of basic infrastructure, would we consider it appropriate to maintain the basic distribution of a region's water supply only if grant funds could be secured?)

Another question might be whether it makes sense to administer grant programs for very small cities that barely have the resources to keep a single public works employee on the payroll. Shouldn't dedicated funds be allocated in such a way that the transportation system's basic functions are taken care of, regardless of the size or wealth of a jurisdiction?

At what point are the additional administrative costs of grant programs justified? Most transportation agencies spend staff time writing grant applications and playing the "grantsmanship game" of mixing and matching projects with fund sources. Small jurisdictions may have no in-house capacity to prepare grants and may thus be at a disadvantage. Whether or not an agency can justify the staff time, the application and selection processes and funding cycles of the many grant programs can also create difficulty in programming projects, generating delays and a high degree of uncertainty as jurisdictions wait to find out whether missing pieces of funding will be granted.

#### **5) Why does it appear that gas tax allocations do not reflect changing demographics?**

There are several issues here.

- Many formerly rural roads have become significant regional arterials carrying large numbers of urbanizing commuters. Gas tax distributions are made to roadway jurisdictions (state, county and city governments) in statutory formulas rather than to facilities based on condition, carrying capacity or volume of travel.

- The share of population in incorporated areas has been increasing and absolute population in cities has been growing faster than the statewide average. But individual cities' shares of total gas tax allocation have been declining in both absolute terms and on a per capita basis.
- The allocation of gas tax to counties and cities has not reflected the shifting patterns of roadway responsibility from unincorporated to incorporated areas.

It is clear that Washington demographics are changing. According to research conducted by the Local Government Study Commission in 1986-87, the incorporated population in Washington has always outstripped the unincorporated population, until about 1985 when both populations equaled about 2.2 million each.

The "incorporated" population are people living in cities. The "unincorporated" population are people living outside city boundaries in areas where county governments have jurisdictional responsibility. The incorporated areas have a different set of taxing authorities than the unincorporated areas. City and county responsibilities and available revenue streams have shifted in numerous ways, especially in rapidly growing areas where annexations and incorporations have taken place.

Over the past fifteen years, the incorporated population has increased dramatically. From 1990 to 1998, Washington's population grew 16.8%, while cities' population grew 29.5%. In 1990, the percentage of Washington residents living in cities stood at 52%, with 48% living in unincorporated areas. In 1998, cities' population has grown to 58%, and counties fallen to 42%. In 1988, the number of cities and towns stood at 266. Eleven years later, it stands at 279.

Along with the incorporations, the number of centerline miles of city streets has increased by 26%, from 11,148 in 1990 to 14,108 in 1997. (Centerline miles are defined as road miles measured by a stretch of roadway, regardless of the number of lanes.) Centerline miles are considered an inappropriate measure for funding purposes since a mile of unpaved local access roads is counted the same as a multilane interstate highway. Lane miles of roadway (miles times number of lanes) are viewed as a better yardstick than centerline miles but still do not account for differing lane widths, pavement depths, regional significance and pavement condition or use.

Another measure of jurisdictional responsibility is vehicle miles traveled (VMT). This measure can reflect the regional significance of a roadway, as well as its functional class and general needs and is a yardstick of utilization. In 1996, the state system experienced 75.5 million VMT or 57% of all vehicle trips. City streets had 33.6 million VMT (25%) and counties had 24.4 million miles (18%).

As city populations have grown and as more land area has become incorporated, cities have increasingly assumed responsibility for roads that previously fell within unincorporated areas. Cities gain some revenue benefit from annexing or incorporating economic activity and enlarging their sales tax base, but they do not increase their share of gas tax to go along with the increased roadway responsibility.

Counties, on the other hand, must deal with the changing demographics of rural areas becoming suburbanized. As increasing population pushes outward into previously unpopulated areas, two-lane rural roads are becoming regional arterials. As unincorporated areas annex to cities or incorporate, counties lose their road levy base as well as other revenues associated with lost economic activity. Both cities and counties find themselves with substantial unfunded maintenance backlogs and, especially in suburban and urbanizing areas, with significant improvement needs to meet new population and employment patterns.

The roadway system is undergoing dramatic changes in how it is used and who is responsible for which parts. All levels of government are experiencing shortfalls in transportation revenues. Yet the gas tax distribution remains unchanged in the face of demographic and jurisdictional changes.

## **6) Why do statutes mandate a per capita share of gas tax distribution which appears to penalize cities?**

Washington statutes mandate that the fixed amount of total city gas tax share be distributed among all cities based on population -- on a per capita basis. While the statutory distribution to individual counties is based on a number of factors -- needs (30%), equivalent population (30%), annual road cost (30%), and equal share (10%) -- the statutory distribution to individual cities is based on a single factor, population.

With the large number of city incorporations since the passage of the Growth Management Act in 1990, each city's share is reduced as a new city incorporates. The per capita formula requirement is not based on system needs such as miles of roadway, growth in population or growth in vehicle miles traveled. There is a reverse relationship between gas tax revenue per capita and cities' growth, due partly to annexations and incorporations and partly to the inelasticity of the gas tax. Since the share of gas tax allocated to cities is fixed (without new revenues), a per capita distribution means that every new incorporation results in less revenue to the remaining cities. For example, \$100 distributed to 10 equally sized cities equals \$10 per city. Yet \$100 distributed to 15 cities equals \$6.66 per city. Since 1990, the number of cities in Washington has increased from 266 to 279. To illustrate the effect of this distribution in rapidly growing King County, Seattle has lost about 6% of its gas tax allocation per capita since 1990.

## **POTENTIAL SOLUTIONS**

**1. Gas tax formulas.** HB 1053, adopted during the 1999 legislative session, simplified the previous statutes by collapsing the existing gas tax rates into one 23 cent rate distributed by percentage share. HB 1053 also eliminated two special purpose programs, the Small City Account and the City Hardship Assistance Account, and placed them in the Urban Arterial Trust Account under the TIB. HB 1053 significantly streamlined the gas tax formulas and was said to be revenue neutral to cities, counties and the state. Additional consolidations and streamlining should be considered.

**2. Gas tax levels allocated to the state, to cities and to counties.** This discussion temporarily sets aside the issue of what proportion of transportation budgets is currently or might in the future be funded by the gas tax versus other revenue sources. Instead, it outlines for consideration thoughts on a new approach for gas tax allocation that would be system-based and easy to explain to the public. The elements of this new approach recognize that all roadways eventually interconnect and that poorly maintained segments or improving only bits and pieces of a corridor serve no jurisdiction well. A new way of thinking about a distribution scheme might consist of the following elements:

- **Maintenance and preservation.** A base allocation to the state, counties and cities for basic infrastructure preservation, based on lane miles, type of roadway and other factors.
- **Operations.** A base allocation for functions including traffic operations, ferry operations, weather-related emergencies, etc.
- **Basic deficiencies in existing infrastructure.** An allocation for addressing significant deficiencies such as safety issues.
- **System improvements.** An allocation to meet growth-related, mobility, or economic development needs or other locally or regionally determined priorities.
- **Very large projects.** A new mechanism to address large projects that cannot be funded except by exceptional means, such as bonding or long-term special purpose user fees.

These elements attempt to outline an approach to allocating funds that is function-based, rather than jurisdiction-based. This approach assumes that, as the single most significant dedicated roadway funding source, the gas tax is a public resource and should be allocated to the public roadway system as a whole based on its current characteristics, rather than to levels of government based on historical conditions. Such an approach would be relatively easy to explain to the public and would create improved justification for new revenues when appropriate.

**3. Gas tax levels allocated to special purpose functions or programs.** Dedicated funding to special purpose programs could be based on agreed-upon, technically supported determinations of need for major system functions such as preservation, improvements related to deficiencies, and improvements related to growth, economic development, environmental requirements or other purposes. Such determinations would be systematically applied to all roadways, whether city streets, rural roads, state highways, arterials, multimodal facilities, etc.

A particular gap exists in special purpose programming for city street pavement management. This function enjoys no systematic data collection, few uniformly applied standards among cities and little distinction about what capacity a given city may have to meet its responsibilities with local sources. Consideration might be given to creating a statewide function for technical support on city street pavement preservation. Especially in urban areas where city boundaries abut each other and where it is more common than not for arterials to cross jurisdictional boundaries, a uniform and centralized function to manage arterial pavement preservation would reduce fragmentation and allow objective determination of real funding needs for basic preservation of infrastructure. (Such a function would parallel the centralized resources offered by CRAB to counties.)

**4. Appropriateness of competitive grant programs.** Consideration might be given to new approaches for determining which functions within the transportation system should be funded by dedicated allocations and which should be left to competitive grant processes. If a new statewide function for city street preservation were created, uniform data on needs would be available and policymakers could more easily determine the appropriate proportions of funding to distribute directly versus by competitive grants. This would improve the funding certainty for basic functions that are agreed to be essential. Special purpose grant programs could then be based on a philosophy of supplementary funding for discretionary needs, based on uniformly administered criteria and priority setting processes.

**5. Changing demographics.** The issue of how to enable gas tax allocations to shift with changing demographics and changing jurisdictional responsibility for roadways is a very difficult one. The typical measures of roadway responsibility -- population, centerline miles, lane miles and vehicle miles traveled -- all point to the fact that cities' responsibilities for transportation infrastructure and maintenance have increased dramatically. Based on VMT and capacity utilization in urbanizing areas, county road and state highway responsibilities have increased significantly too, although not as rapidly as those of cities.

The most obvious "fix" to shifts in demographics and usage might be to set objective measures -- for example, some combination of population, lane miles of roadway and VMT -- and recommend that future gas tax distributions be apportioned to cities, counties and the state using such a measure. (If applied only to future distributions, no jurisdiction would suffer a net loss in revenues.) The measure could then be adjusted periodically to reflect changing demographics and roadway jurisdiction.

A more significant change would shift the current direct distribution percentages to each level of government to a formula based on an objective measure such as described above. To avoid severe impacts that might create hardships to jurisdictions that would lose funds, any such reallocation could be phased in over a number of years. Alternatively, jurisdictions that might lose funds could be held harmless at their current fund amounts and the new formulas would not kick in until the funding level "caught up" to the new distribution.

Another approach was taken by the Road Jurisdiction Committee (RJC) in the 1980s when it was appointed to address the state's deteriorating roadway system, declining fuel tax revenues and issues related to road jurisdiction transfers. Among the RJC's recommendations was a new approach to distributing transportation revenues. The approach proposed distributed funds based on 1) actual needs of each jurisdictional level, and 2) each jurisdictional level's ability to fund those needs.<sup>2</sup> This approach, according to the RJC, "predicates the amount of [gas tax] revenue distributed to a jurisdiction on the proportionate amount of statewide unmet road needs at that level. Unmet need, for revenue distribution purposes, is defined as the difference between total

---

<sup>2</sup> Final Report, *Route 2000, Washington Road Jurisdiction Study: Phase II, Analysis of Roadway Needs and Funding*, November 1998, p. 9.

[RJC] study needs and the maximum funding authorities provided to each jurisdictional level by the Legislature.”<sup>3</sup>

The obvious challenge with this approach is to accomplish fair and equitable criteria for transportation needs and apply them to each jurisdiction. The RJC study noted it was unaware of any other state funding formula that fully reflected these criteria. The RJC concluded that “Washington [has] a unique opportunity to make rational, defensible revenue allocations based on need and funding abilities. Washington has the opportunity to step ahead of the nation in making such distributions of motor fuel revenues among jurisdictional levels.”<sup>4</sup>

The 1999 Legislature, in its appropriation to the Legislative Transportation Committee, required the creation of a new road jurisdiction committee to study these matters. The Blue Ribbon Commission should consider ways to encourage the new committee to be bold in reexamining current fund allocations to meet the changed needs of the transportation system.

**6. Per capita distribution to cities.** The distribution of gas tax to cities based on population seems to have outlived its usefulness. Potential solutions could include:

- A formula based on objective measures such as total lane miles, lane miles of arterials, utilization, or population growth rate (to address significant changes over time);
- A formula based on unmet need (the difference between need as defined by the objective measures and maximum funding authority granted by the state), per the RJC recommendations.
- Another potential factor to incorporate in a future formula might be local fiscal capacity and local level of funding effort. If a jurisdiction is poor yet endeavors to budget significant resources to transportation, that might be rewarded, while a wealthier jurisdiction that was proportionately underbudgeting might be treated differently.

---

<sup>3</sup> So, for example, if a county had \$20 million of unmet road needs, and its road levy raised \$15 million at its full \$2.25/\$1,000, then its gas tax revenue distribution would equal \$5 million. If the county is only levying its road levy at a rate that generates \$12 million, it would still receive \$5 million from the gas tax, leaving \$3 million in unmet need. (Although if a county were lidded by the 106% provision and were not levying more for that reason, it should presumably not be penalized.) The formula creates an incentive for a jurisdiction to raise its transportation revenue authority to its maximum level, or at least to a higher level.

<sup>4</sup> *Route 2000*, p. 9.